

Prime Global Cities Index



2023 Q3

The Prime Global Cities Index (PGCI) is a valuation-based index, tracking the movement of prime residential prices across 46 cities worldwide using data from our global research network. The index tracks nominal prices in local currency.

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Global luxury house prices continue to rise steadily...

- Average annual prices rose 2.1% across the 46 markets covered by the Knight Frank Prime Global Cities Index in the 12-month period to September. This is the strongest growth rate recorded since Q3 2022 and reflects 67% of cities seeing growth on an annual basis.

Average price growth in prime global city markets ticked up in Q3 2023. The average growth rate of 2.1% for the 12-month period to September was up from the 1.6% recorded in Q2, and the recent low of 0.2% seen in Q1.

The recovery in annual pricing confirms that global housing markets are displaying signs of stabilisation, despite sharply higher mortgage rates. However, while 67% of markets saw prices rise over the year, only 63% saw an increase over the quarter, indicating lingering uncertainty, primarily due to the potential for further interest rate hikes.

Ongoing uncertainty over inflation and interest rate risks continues to weigh on all levels of the global housing market, including the luxury segment, and is likely to limit price growth in the medium term.

City Focus

Despite a modest 2.1% price increase this quarter, Manila claimed the top spot in our ranking with a 21.2% annual rise in prices. Manila's performance is attributed to strong domestic and foreign investments.

Dubai, with its 15.9% annual growth, has been displaced from the

top position for the first time in eight quarters due to a sharp decline in quarterly growth from 11.6% in Q2 to 0.7% in Q3. Shanghai secures the third spot with 10.4% annual growth in our rankings.

In Q2, Stockholm's property market saw strong quarterly and annual growth. However, this trend faces challenges in the quarterly data, showing a sharp 7.7% decline in property prices. Similarly, Tokyo soared to second place in the rankings last quarter, with substantial annual and quarterly growth, but it has now fallen to 29th place, with prices declining by 12% quarterly.

In the Asia-Pacific region, Seoul's annual growth significantly improved, moving the city from 39th place in Q2 to 7th place this quarter in our ranking. As anticipated, The Bank of Korea maintained its 3.5% base interest rate in October, which boosted market demand. Singapore's market has started to experience annual price declines, attributed to the impact of higher stamp duties on foreign buyers. Meanwhile, Hong Kong continues to see declining prices, with a 0.6% drop in the quarter leading to a 1.7% annual decrease.

2.1%

average quarterly growth in prices across our 46 city basket

11

cities seeing price falls over the past three months, down from 14 in Q2

63%

of cities seeing positive quarterly price growth

Manila

number one for annual price growth, overtaking Dubai

All 5

of the weakest markets for annual growth saw positive quarterly growth

Australian markets all manage to deliver positive annual growth, buoyed by strong demand and low supply, but negative quarterly movements in Perth and Melbourne point to limits to growth in the current cycle.

The United States dominates the lower rankings of the index, with San Francisco experiencing a 9.7% annual price decrease and New York a fall of 4%. The trend for wealthy investors to target Florida continues, benefitting the Miami market, where demand has driven a 0.9% annual price increase.

London's prices continue to decline, with a marginal 0.7% drop in the quarter and a 1.7% decrease annually. Despite the relative stability of prime markets this year, London prime prices are not immune to the impact of rising interest rates and broader economic and political uncertainty. These factors are expected to continue exerting pressure on prices in the short term.

Outlook

With inflation edging lower, and interest rates largely held by central banks, market demand for residential property has improved in several markets, contributing to improvements in our index results. That said, this revival in demand is fragile and could be pushed off course if inflation surprises on the upside. A more sustained upswing in demand and pricing will only be achieved once rates begin to move lower – which is unlikely to take place before mid-2024.

“The improvement in average annual house price growth will be welcomed by prime market homeowners but shouldn't be overstated. Higher rates mean we have moved into a world of lower asset price growth - and investors will need to work harder to identify opportunities for outperformance to secure target returns.”

Liam Bailey, Knight Frank's global head of research

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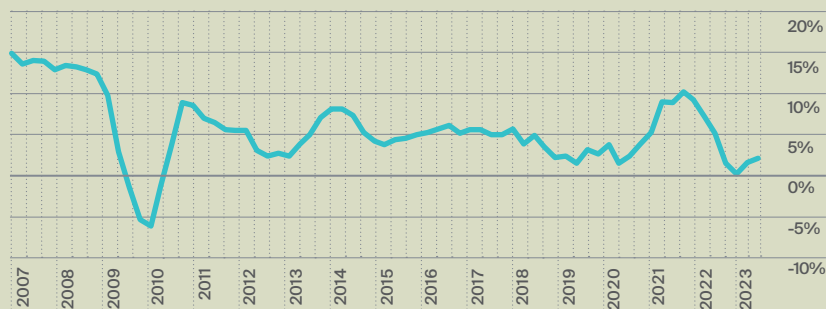


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Fig 1: Knight Frank Prime Global Cities Index Q3 2023

Annual % change



Source: Knight Frank Research

The Knight Frank Prime Global Cities Index Q3 2023

Ranked by annual % change

Rank/City	12-month % change	6-month % change	3-month % change
1 Manila	21.2	19.0	2.1
2 Dubai	15.9	12.3	0.7
3 Shanghai	10.4	4.9	4.5
4 Mumbai	6.5	4.5	3.3
5 Madrid	5.5	4.3	2.0
6 Stockholm	4.7	2.9	-7.7
7 Seoul	4.5	15.6	5.0
8 Sydney	4.2	0.9	0.5
9 Nairobi	4.1	0.1	0.0
10 Delhi	4.1	3.8	3.8
11 Gold Coast	3.9	2.4	0.8
12 Perth	3.8	3.0	-0.6
13 Lisbon	3.1	0.9	0.7
14 Beijing	2.6	2.1	3.3
15 Brisbane	2.5	0.5	1.1
16 Berlin	2.2	0.9	-
17 Bengaluru	2.2	1.1	0.1
18 Paris	2.1	0.4	0.4
19 Taipei	1.7	1.7	0.0
20 Jakarta	1.5	0.6	-
21 Guangzhou	1.3	1.1	1.8
22 Shenzhen	1.2	3.7	2.5
23 Miami	0.9	4.1	2.8
24 Bucharest	0.8	0.3	0.2
25 Kuala Lumpur	0.8	-0.1	0.0
26 Melbourne	0.7	-1.8	-0.7
27 Toronto	0.4	4.0	-8.5
28 Christchurch	0.4	6.3	6.4
29 Tokyo	0.3	3.9	-12.0
30 Dublin	0.1	-	-
31 Vienna	0.0	-	-
32 Monaco	-0.8	-0.4	-
33 Singapore	-0.8	-2.3	-2.6
34 Geneva	-1.3	-0.5	-
35 London	-1.7	-0.9	-0.7
36 Hong Kong	-1.7	-0.9	-0.6
37 Bangkok	-1.7	-2.6	-4.4
38 Los Angeles	-1.9	6.7	3.8
39 Zurich	-2.4	-2.5	-1.6
40 Auckland	-2.6	2.8	2.4
41 Edinburgh	-3.2	-3.0	-1.2
42 New York	-4.0	-1.3	0.3
43 Wellington	-4.8	1.7	4.8
44 Vancouver	-5.0	7.8	6.5
45 Frankfurt	-5.4	-1.4	4.8
46 San Francisco	-9.7	6.1	3.8

Note: all data to Q3 2023, except Miami, Los Angeles and San Francisco which are as at Q2 2023

Source: All data comes from Knight Frank's global network with the exception of Tokyo (Ken Corporation); New York (StreetEasy); Los Angeles, Miami and San Francisco (S&P CoreLogic Case-Shiller); Berlin and Frankfurt (ZIEGERT Research/ ImmobilienScout 24); Stockholm (Svensk Maklarstatistik); Toronto (Real Estate Board of Toronto); Vancouver (Vancouver Real Estate Board); Zurich and Geneva (Wüest Partner).